



OFFICE OF THE GOVERNOR

REPORT ON AUDIT FOR THE YEAR ENDED JUNE 30, 2015

Auditor of Public Accounts
Martha S. Mavredes, CPA

www.apa.virginia.gov

(804) 225-3350



AUDIT SUMMARY

Our audit of the Office of the Governor for the fiscal year ended June 30, 2015, found:

- proper recording and reporting of all transactions, in all material respects, in the Commonwealth Accounting and Reporting System and Cardinal;
- no matters involving internal control and its operation necessary to bring to management's attention; and
- no instances of noncompliance with applicable laws and regulations or other matters that are required to be reported.

–TABLE OF CONTENTS–

| | <u>Pages</u> |
|------------------------------|--------------|
| AUDIT SUMMARY | |
| AGENCY HIGHLIGHTS | 1-2 |
| INDEPENDENT AUDITOR’S REPORT | 3-4 |
| AGENCY OFFICIALS | 5 |

AGENCY HIGHLIGHTS

The Governor has responsibility for managing the executive branch of the government, serving as Chief of State, and acting as the Commander-in-Chief of the Virginia National Guard. The Division of Selected Agency Support Services in the Office of the Secretary of Administration provides administrative support to the Governor's Office.

The Office of the Governor (Office) receives most of its funding through General Fund appropriations. The schedule below summarizes budget and actual activity for the last two years.

Budget Analysis for Fiscal Years 2014-2015

| | 2015 | 2014 |
|-----------------|-------------|-------------|
| Original budget | \$4,698,065 | \$4,519,102 |
| Final budget | 5,721,051 | 5,832,268 |
| Actual expenses | 5,033,070 | 5,330,027 |

The following schedule includes the detail adjustments to the Office's appropriations as well as a detailed breakdown of expenses. The majority of the expenses of the Office are payroll and fringe benefit expenses.

Budget and Expense Analysis for Fiscal Year 2015

| | |
|---|-------------------|
| Original appropriations | \$4,698,065 |
| Adjustments: | |
| Discretionary re-appropriation of prior year unexpended General Fund cash balances | 499,567 |
| Workforce Transition Act payments to former employees not retained by the current administration | 154,640 |
| Increase for non-budgeted legal expenses relative to past matters in the Governor's Office | 221,741 |
| Transfer from Central Appropriations for employee salary increases, benefit changes and other amounts | <u>47,038</u> |
| Total adjusted appropriations | 5,721,051 |
| Expenses: | |
| Personal services | 3,535,072 |
| Contractual Services | 648,669 |
| Continuous Charges | 527,343 |
| Supplies and materials | 250,961 |
| Equipment | 61,833 |
| Transfer payments | <u>9,192</u> |
| Total expenses | <u>5,033,070</u> |
| Unexpended balance | <u>\$ 687,981</u> |

The Office receives its funding and records transactions under four separate programs, the largest of which is Administrative and Support Services. The Administrative and Support Services Program includes most of the operations of the Office as shown in the following table. Funding for the other programs are discussed in more detail below.

Budget and Expense Analysis for Fiscal Year 2015 by Program

| | Original Budget | Final Budget | Expenses |
|--|--------------------|--------------------|--------------------|
| Administrative and Support Services | \$3,790,542 | \$4,665,587 | \$4,188,904 |
| Historic and Commemorative Attraction Management | 443,979 | 481,207 | 465,692 |
| Governmental Affairs Services | 463,544 | 574,257 | 378,474 |
| Total | \$4,698,065 | \$5,721,051 | \$5,033,070 |

Historic and Commemorative Attraction Management

This program covers the costs of operating the Executive Mansion. The majority of expenses under this program are personnel costs for staff at the Executive Mansion, which totaled \$322,682 in 2015.

Governmental Affairs Services

Under this program, staff tracks federal legislation and pronouncements on behalf of the Commonwealth of Virginia. This keeps the Commonwealth and its localities informed of any actions that may affect either entity. This program receives both General Fund appropriations and some Commonwealth Transportation funds. The majority of expenses are personnel costs, which totaled \$267,293 in 2015.

Disaster Planning and Operation

In addition to the programs listed above, the Office also receives a “sum sufficient” General Fund appropriation under the Disaster Planning and Operation Program. In any given year, various natural disasters can strike Virginia, resulting in the Governor declaring numerous localities as disaster areas. To address damage and recovery from the disasters, the Department of Emergency Management requests and receives General Fund appropriations from the Disaster Planning and Operation program. The Appropriation Act originally includes these funds in Central Appropriations, which the Governor authorizes and then transfers to the Department of Emergency Management. The Department of Planning and Budget transferred \$7.4 million in General Fund sum sufficient appropriations to the Department of Emergency Management in response to hurricanes, winter storms, and an earthquake occurring in previous fiscal years.



Martha S. Mavredes, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

June 7, 2016

The Honorable Terence R. McAuliffe
Governor of Virginia

The Honorable Robert D. Orrock, Sr.
Chairman, Joint Legislative Audit
and Review Commission

We have audited the financial records and operations of the **Office of the Governor** for the year ended June 30, 2015. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Audit Objectives

Our audit's primary objectives were to evaluate the accuracy of recorded financial transactions in the Commonwealth Accounting and Reporting System and Cardinal, review the adequacy of the Office's internal controls, and test compliance with applicable laws, regulations, contracts, and grant agreements. The Office transitioned to using Cardinal, the Commonwealth's new accounting and financial reporting system, on October 1, 2014.

Audit Scope and Methodology

The Office's management has responsibility for establishing and maintaining internal control and complying with applicable laws and regulations. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws, regulations, contracts, and grant agreements.

We gained an understanding of the overall internal controls, both automated and manual, sufficient to plan the audit. We considered significance and risk in determining the nature and extent of our audit procedures. Our review encompassed controls over the following significant cycles, classes of transactions, and account balances.

Expenses, including payroll
Appropriations
Small purchase charge card
At-will employee leave

We performed audit tests to determine whether the Office's controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws, regulations, contracts, and grant agreements. Our audit procedures included inquiries of appropriate personnel, inspection of documents, records, and contracts, and observation of the Office's operations. We tested transactions and performed analytical procedures, including budgetary and trend analyses.

Conclusions

We found that the Office properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System and Cardinal. The Office records its financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The financial information presented in this report came directly from the Commonwealth Accounting and Reporting System.

We noted no matters involving internal control and its operation that we consider necessary to be reported to management. The results of our tests of compliance with applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Exit Conference and Report Distribution

We discussed this report with management on June 14, 2015.

This report is intended for the information and use of the Governor and General Assembly, management, and the citizens of the Commonwealth of Virginia and is a public record.

AUDITOR OF PUBLIC ACCOUNTS

ZLB/clj

AGENCY OFFICIALS

OFFICE OF THE GOVERNOR
As of June 30, 2015

Terence R. McAuliffe, Governor

DIVISION OF SELECTED AGENCY SUPPORT SERVICES

Dennis M. Johnson, Director